

# The Process Of Globalization In Latin America

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## ABSTRACT

*The purpose of this article was to examine and evaluate the historical and developmental process of globalization in Latin America from the 1970s to the second decade of the 21<sup>st</sup> century and make proposals for the additional developments needed in education, society, labor, management, politics, economics, business, government, and legal areas in order for the region to attain higher developmental levels in regional integration and globalization on a continuous basis. It also examined the advantages and disadvantages of globalization as perceived by its proponents and adversaries in the region.*

**Keywords:** Latin America; Integration; Globalization; Culture; Conservative Societies; Democratization; Modernization; Economic Stability; Macroeconomic Development; Microeconomic Development; Liberalization; Multilatinas; Regional Associations; Andean Community Of Nations; Union Of South American Nations; Mercosur

## INTRODUCTION

Globalization is defined as the trend toward greater economic, cultural, political, and technological interdependence among national institutions and economics (Wild, Wild, & Han, 2006). Another source indicated that globalization is the deepening relationships and broadening interdependence among people from different countries (Daniels, Radebaugh, & Sullivan, 2002).

Like every other historical event in this world, globalization was precipitated by a number of forces emanating from the external environment. One source indicated that such forces were the rapidly increasing technology, liberalization of trade and resources among nations, development of services, consumer pressures, global competition and cooperation, and change in political situations (Daniels, Radebaugh, & Sullivan, 2007). Another source stated that such forces were political, technological, market (organizations become global in their markets), reduction of cost due to economies of scale, and becoming competitive globally (Ball, McCulloch, Geringer, Minor, & McNett, 2008).

The benefits from globalization are the increase of productivity for nations that have comparative advantage in their products; competition and low price imports constrain prices and inflation; technology and innovation increase; jobs in export industry pay higher salaries; and foreign investment goes to nations with strong economies (Carbaugh, 2009). The opponents of globalization purport that it is an economic realm by the formation and accelerated growth of a global capitalist economy that increasingly disregards national boundaries and makes economic self-sufficiency virtually impossible (Viotti & Kauppi, 2011).

## The Process Of Globalization In Latin America

Globalization started in the 1970s in Latin America at the time when societies were conservative and nationalistic in nature and not easily inclined to accepting social and economic changes, especially rapid ones, as required by the globalization process (Gonzalez Rojas, 2007). During the same period, Latin America entered a period of low and volatile growth, punctuated in a number of countries with bursts of high inflation (Haggard & Kaufmann, 2008) resulting in additional unemployment.

Latin Americans who were against globalization feared that it was going to alter their national character and culture because it was something foreign to the area, consequently increasing the pressure upon its member

states, especially upon small ones (Mosquera Mesa, 2004). They also expressed their concerns that globalization was going to cause additional unemployment, was perverting the economy, was conditioning their political life, and was transforming their national culture (Carmagnani, 2011). In addition, they feared that foreign business organizations would diminish the political, economic, social, and national independence of the Latin American states, especially the small ones that constitute the majority of the nations in the region. Latin Americans, since their independence from Spain and Portugal, have viewed themselves as being poor and underprivileged in comparison to the North American region of the United States and Canada. Latin America formulated, in philosophical terms, the experience of the poor person (Scannone, 1990).

Latin Americans who favored globalization viewed it as a vehicle which was going to accelerate the ongoing but slow socio-economic and political development in the region. This slow development was especially visible among the small states that were characterized by a large number of small, and limited in production, business organizations; the lack of adequate industrialization; and unemployment, stagnant societies, economies, and political practices that favored the status quo for the benefit of the elite class (Duran Juarez, Woo, & Ceja Martinez, 2003).

The proponents of globalization felt that their nations could gradually enter into foreign markets in the region and outside of it with good success and could be attractive to foreign investment; they also could be good host nations for foreign organizations that were in the process of opening commercial and industrial operations in the region. The proponents of globalization also felt that their politicians and governments, especially in small nations, needed to change their mentality from supporting stagnation and fearing globalization to accepting the latter and enter into macroeconomic development. Toward the end of the 20th century, the collapse of the protectionist economy and unprecedented migration opened new transnational fields of action (Carmagnani, 2011). During the same period of time, Latin America made strong efforts to participate internationally in political, social, and economic activities.

In addition, the supporters of microeconomic development stated that it was necessary to create better business organizations that would have the necessary factors of production (materials, labor, capital, management, and technology). Since the corporate form of business is much larger than those of proprietorships and partnerships - that dominated each nation in the region -- and have all the factors of production in abundance, the number of corporations had to increase through mergers of existing enterprises and the formation of new ones in the corporate form (Theodore, 2011).

The proponents of globalization also strongly emphasized that corporation would operate on economies of scale and produce better goods and services; these corporations could be able to make Latin American products competitive in both the region and around the world. Mergers were to gradually create larger sized business enterprises, a condition which allows the appearance, sustenance, and development of the principles of organization and the need for commensurate management education for the managers of such enterprises, thus preparing the merged organizations to attain organizational development (Theodore, 2010). Multilatinas corporations eventually emerged and are now competitive on an international basis. They are the result of the economic openness and liberalization the region experienced at the end of the last century (Castro Olaya, Castro Olaya, & Cueter, 2012).

A number of integration associations have been formed since the 1960s. The Andean Pact was created in 1969 by Chile, Bolivia, Ecuador, Colombia, and Peru and in 1973 Venezuela was added; in 1976 Chile withdrew from this association followed by the exit of Venezuela in 2006. In 1996 the name of the Pact was changed to Andean Community of Nations. In 1989 the Latin American Integration Association and in 2007 the Union of South American nations were respectively formed. An excellent example of Latin America's effort to enter globalization was the establishment of the Common Market of the South—Mercosur-- (Baso, 2007) in 1991 which included Brazil, Argentina, Uruguay, and Paraguay (Venezuela and Bolivia are currently members, too). Mercosur started as a free commerce zone and has developed in different forms of integration among the participating states (Lopes Vasquez, 2007). Mercosur initially did not provide incentives for the development of small and medium-sized enterprises; however, in 1996 a law was passed that provided for incentives and better conditions for small and medium-sized business organizations.

Subsequently, the proponents of globalization believed that the goals of globalization in all Latin American states had to be directed toward the development of society with emphasis on the betterment of the human factor; the development of the economy with emphasis on the eradication of poverty and increases in gainful employment through better labor organizations; the development of education and technology; and the democratization and modernization political arena and its strong involvement in the development of each state in the region. What Latin America lacked was the rule of law that defines the rights and privileges of economic entities (people, business, and property, both real and intellectual) and establishes the rule-sets that allow them to enter into binding contracts with one another (Haar & Price, 2008).

The presence of freely elected governments with long term perspectives for political stability and socioeconomic development were to be an absolute requirement for the globalization of the region (Calandra & Franco, 2012). Labor solidarity has been transformed but it has not evolved into some ideal type or one best practice. This transformation indicates that at least four labor strategies have developed and they have done so along those primordial axes of structure and agency (Anner, 2011).

Latin America is now participating in international political, economic, and social areas and it is contributing its own philosophy to world affairs. North American pragmatism had to wage a struggle for the recognition of the European philosophical community. Today the Latin American philosophy of liberation has a similar task and it is participating toward the creation of a new world system (Dussel & Vallega, 2013).

### **Additional Developments Needed In The Process Of Globalization**

If Latin Americans continue to perceive globalization solely as a carrier of doom, its risks will multiply and will nullify the efforts made thus far (Carmagnani, 2011). Economic stability is of paramount importance and must be supported both by governments and by microeconomic development through the individual development of private organizations, especially those in the corporate form that have ample factors of production (Pinazo & Pique 2011).

The governments in the region must continue their war against inflation through central controls and against poverty through a better distribution of the wealth and through training programs against unemployment and the continuous advancement of educational standards. In Latin America, a region where many countries have undergone democratic transitions during the last two to three decades, politicians should be more likely to intervene in the economy before elections (Kaplan, 2013). Labor and its allies have the potential to alter the dynamic of neoliberal restructuring, reorient political processes, and ultimately improve workers' lives. In this way, the transformation of labor solidarity can contribute to a more equitable global social order (Anner, 2011)

In the area of technology, Latin America needs to rapidly innovate the current status of technology in governmental and private organizations in order to attain effective and efficient operations and economies of scale with emphasis upon the production of goods of services for domestic, regional, and international consumption. However, it has been detected that domestic creation of technology and innovation become displaced by foreign products which are being viewed as better and more efficient (Buono, 2012). Efforts are currently being made to develop domestic technological infrastructures in all the nations in the region.

Both the government and the private sector need to increase their efforts in attracting investments from their respective nations, the region, and the entire world (Baso, 2007). The governments need to develop their organizational structure of the organizations/agencies under them in order to better serve the public through timely, effective, and efficient public service. The illicit redirections of public resources to political activities is that the bureaucracy apparatus often abdicates the role of the catalyst for economic development and social equity (Gingerich, 2013)

Governments in the region must be efficient in order to allow the utilization of their national resources in order to attain a strong macroeconomic policy for economic development through the utilization of the factors of production (Nudelsman, 2013). Participation in various attempts to promote alternative forms of local and global governance has proliferated and some alternative experiences and policies have emerged to promote participatory

budgeting, to turn consultative policy fora into deliberative ones with authority to monitor and influence the agenda of policy makers, and to make their respective national states accountable to supranational structures and international treaties (Burity, 2012).

Economic wealth needs to be used in order to eradicate the social and class problems that still permeate in all states in the region.

Elementary and secondary education need to be improved and higher education must continue its developmental process. Millions of people still lack the most basic educational, social, economic, and human rights (Nilsson & Gustafsson, 2012).

The private sector, through the advancement of the factors of production, can reach economies of scale and, therefore, compete favorably within and outside the region and operate under ethical standards within the confines of the law and under the concept of consumerism. For new democracies in the region with few institutional checks on executive power, increasing markets due to globalization can enhance presidential accountability in the economic policy realm (Kaplan, 2013). Service producing industries, especially the financial ones, need to become more effective and efficient in order to serve organizations and persons better.

## **CONCLUSIONS**

Globalization is defined as the trend toward greater economic, cultural, political, and technological interdependence among national and was precipitated by rapidly increasing technology, liberalization of trade and resources among nations, development of services, consumer pressures, global competition and cooperation, and change in political situations.

Globalization started in the 1970s in Latin America at the time when societies were conservative and nationalistic in nature and not easily inclined to accepting social and economic changes. Latin Americans who were against globalization feared that their national character and culture were going to be altered because globalization was something foreign to the area and thus would increase the pressure upon its member states, cause additional unemployment, pervert the economy, condition their political life, and transform their national culture.

Latin Americans who favored globalization viewed it as a vehicle which was going to accelerate the ongoing but slow socio-economic and political development in the region and that their nations could gradually enter into foreign markets in the region and outside of it with good success and could be attractive to foreign investments and other benefits.

During the last thirty years improvements have taken place in the social, economic, educational, technological, political, and legal areas in Latin America. However, additional progress needs to be made in the same areas in order for the region to be able to compete effectively and efficiently globally.

## **AUTOR PROFILE**

**John Theodore** is the holder of a Ph.D. degree in Administration and Latin American Studies from the University of Kansas; a Ph.D. in Management from the Aristotelian University in Greece, European Union; and a D.B.A. in International Business from the University of South Africa. He has been teaching and consulting for four decades domestically and internationally. He is a visiting professor in various foreign universities. Dr. Theodore is the president of JDT Management Consultants in Clearwater, Florida, specializing in management, organization, strategy, international business, human resources, organizational development, and educational administration. He is a certified management consultant (CMC) certified by the Institute of Management Consultants in Washington, D.C.

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**NOTES**